

# COMMONWEALTH OF VIRGINIA

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## VIRGINIA HOUSING COMMISSION

### SUMMARY

#### Housing and the Environment Workgroup

May 9, 2012

10:00 A.M.

House Room D

#### I. Welcome and call to order:

- **Senator John Watkins, Chair**; called the meeting to order at 10:06 a.m.
- In addition to the invited speakers the following Workgroup members were in attendance:
  - **Legislators:** Senator John Watkins, Delegate John Cosgrove (VHC Chair), Delegate David Bulova, Mark Flynn, *Governor's Appointee*
  - **Citizen Members:** Ron Clements, *Virginia Building and Code Officials Association*; Tyler Craddock, *Virginia Manufactured and Modular Housing Association*; Chip Dicks, *FutureLaw*; Art Lipscomb, *Virginia Professional Fire Fighters*; Ted McCormack, *VACO*; R. Schaefer Oglesby, *Realtors' Association*; Shaun Pharr, *AOBA*; Ed Rhodes, *Virginia Fire Chiefs Association*; Emory Rodgers, *DHCD*; Michael L. Toalson, *Home Builders Association of Virginia*; Cal Whitehead, *Whitehead Consulting*; Jerry M. Wright, *CAI*
  - **Staff:** Elizabeth Palen, *Executive Director of VHC*; Laura Perillo, *VHC Staff*

#### II. HB 1071; Alternative Onsite Sewage Systems (Hugo, 2012)

- **Delegate Tim Hugo**; initially discussed exempting certain Alternative Onsite Sewage System ("AOSS") owners from annual inspections for operation and maintenance, concluding that a better solution would be to require inspections once every two years for AOSSs that pass inspection.
  - AOSS regulating legislation in Virginia now requires all AOSSs to be inspected annually. These inspections may be costly as a result of a lack of competition between inspectors in certain areas throughout Virginia.

- According to Delegate Hugo, AOSSs are needed to allow construction in areas where the house plumbing cannot be connected to a traditional sewer or septic system, while still protecting the environment. Accordingly, there are many people in rural areas who use AOSSs to clean the sewage coming from their homes. While people who have installed AOSSs since the legislation requiring annual inspections understood the financial consequences of their installation, those who installed the AOSSs prior to this legislation may be unprepared for the financial burden associated with these inspections.
- **Senator Watkins**, asked if Delegate Hugo knew how many AOSSs were installed and in use throughout the Commonwealth.
  - **Del. Hugo** responded that there are thousands of AOSSs around the Commonwealth and that AOSSs have propagated more and more recently. According to Del. Hugo, AOSS owners in urban areas may not have problems paying for these annual inspections, but persons in rural areas likely will find it financially difficult to pay. Del. Hugo stated that AOSS owners in Fairfax County were sent fliers that advertised \$1000 for the cost of AOSS inspection.
- **Del. David Bulova** stated that these inspections act as an insurance policy to make sure that AOSSs are functioning properly and to catch problems early. Del. Bulova stated that where problems are not detected early on, the effects are generally more costly to correct. He continued that despite this, he understands that persons with functioning systems may be troubled by the cost associated with these inspections and that he agrees with Del. Hugo's objective of making it easier for these people. Del. Bulova asked Del. Hugo what the regulations specified regarding the inspections.
  - **Del. Hugo** responded that the final regulation requires an annual inspection. Del. Hugo continued that he understands there is legitimate concern regarding early detection of problems with AOSSs, but also is concerned about the cost of AOSS owners whose systems are functioning perfectly. Consequently, Del. Hugo proposed his bill (2012 Session) to change the annual inspections to inspections once every two years.
- **Del. Bulova** asked why Del. Hugo has distinguished churches from other properties regarding AOSSs and asked what the impact on the environment would be where AOSSs do not function correctly.
  - **Del. Hugo** responded that he distinguished between churches and other properties because there are a lot of churches in Fairfax that use AOSSs
- **Mr. Michael Toalson** stated that legislation in 2008 was designed to reinforce the fact that the health department and not the individual were required to ensure that buildings met maintenance requirements. Mr. Toalson further stated that this regulation reminds him of annual car inspections, and the reaction to that legislation. Mr. Toalson admitted that he does not know the solution to this problem, but that legislation required new AOSS owners to be informed and adhere to maintenance regulations and inspections. Mr. Toalson further stated AOSSs are clearly unlike conditional systems that needs to be pumped out every five years, but that it was foreseeable and understandable that these systems

would need to be maintained and there will be cost associated with that maintenance.

- **Del. Hugo** stated that this inspection was mandated state-wide because certain counties were shutting down construction with AOSSs.
- **Mr. Ted McCormack** stated that there are about 60,000 AOSSs in use state-wide and that these systems are installed only in areas where no other sewage system can be built. Accordingly, Mr. McCormack explained, AOSSs are sometimes installed underwater and next to bodies of water. Thus, there is legitimate state concern regarding maintenance. The regulations regarding AOSSs are minimal. Additionally, Mr. McCormack stated that "grandfathering" in older systems to be exempt from annual inspections is counterintuitive considering the oldest AOSSs are the systems that are most in need of regulation because they are most at risk for functioning improperly. Mr. McCormack stated that Del. Hugo's former bill would create two separate regulations geared towards two separate groups of AOSS-- those that were installed prior to the annual inspection requirement and those that were installed after. Mr. McCormack acknowledged that most things cost more in northern Virginia than in other parts of the state, but that based on AOSS maintainer's testimony the annual inspections will likely cost less than annual inspection for the systems. Further, Mr. McCormack stated that the cost of the inspections is designed to decrease with competition.
  - **Del. Hugo** clarified that his bill does not "grandfather" in all AOSS owners; rather, his former bill changed the annual inspections to inspections once every two years.
- **Mr. McCormack** added that the regulations regarding the AOSSs were developed over a 10- year- period.
- **Mr. Chip Dicks** stated that annual inspections versus inspections once every two years makes a difference to those renting out properties and those inspecting AOSSs. Mr. Dicks suggested that perhaps after the initial inspection is completed and a particular AOSS passes the inspection, there could be a four-year hiatus until the government would require an inspection for that individual AOSS. Mr. Dicks continued, stating if there was a problem with an AOSS then the homeowner would need to know and correct the problem early on, to avoid contaminating the surrounding environment and additional costs.
- **Mr. Shaun Pharr** asked Del. Hugo about a particular segment of the population located in Northern Virginia and what his vision is for Foreign Service persons stationed out of the country or other such rental owners in the area.
  - **Del. Hugo** responded that he is open to suggestions and that he personally owns rental properties and understands the challenges associated with that aspect of his bill.
- **Mr. Allen Knapp**, *Virginia Health Department ("VHD")*; introduced himself.
  - **Senator Watkins** asked how the legislation has gotten to its current state in the workgroup where it was developed.
- **Mr. Knapp** responded that there have been multiple workgroups regarding emergency regulations for AOSSs, permanent regulations of AOSSs, and public participation requirements associated with these regulations. Mr. Knapp stated that the workgroups and he did as much as they could by involving stakeholders,

listening to individuals' opinions, and researching regulations in other states. Some people felt that inspecting the AOSSs once every five years would be sufficient; others felt that the inspections should occur two- to- four times per year. Accordingly, Mr. Knapp explained, the decision to mandate an annual inspection was a compromise that sought to address the valid concerns regarding the environment, public health, and AOSS owner's inconvenience. Mr. Knapp explained that most AOSSs use pumps, blowers, and timers to treat sewage. Where any of these mechanisms does not function properly, raw sewage may be released into the environment which is obviously dangerous to public health. As the law stands now, an AOSS may release raw sewage into the environment for an entire year before the inspector realizes it is being released.

- **Del. Bulova** asked what the general cost of these inspections is and whether the cost varies greatly from region to region. Del. Bulova also asked if there were any statistics regarding the status of competition regarding inspections and whether there is a monopoly in this business. Finally, Del. Bulova asked whether Mr. Knapp had any thoughts on how to deal with the issues surrounding the cost of inspections.
  - **Mr. Knapp** responded that he did not have data about the price and competition, but that he has anecdotal information. Mr. Knapp explained that there are certain areas where people will complete the inspection for \$100; however, Mr. Knapp also explained that in Lynchburg he could not find a single person who could complete the inspection at all. In Lynchburg, Mr. Knapp worked with the local health department and was able to set up an inspection service for that area that cost around \$200 per inspection. In northern Virginia, Mr. Knapp continued, the inspections tend to cost more money. Mr. Knapp stated that with regards to general competition for these inspecting services, there are about 600 to 800 licensed inspectors in the state, though they are irregularly distributed with more inspectors in the center of the state (where most of the population is located) and almost none in the western regions.
- **Mr. Tolson** asked whether the Department of Professional and Occupational Regulations ("DPOR") regulates these inspectors.
  - **Mr. Knapp** responded that DPOR regulates the operators under the legislation that was adopted a few years ago by requiring sight and soil evaluations of the AOSS.
- **Mr. Mark Flynn** asked how quickly the problem of raw sewage can arise.
  - **Mr. Knapp** responded that with the web-based recording system to file reports regarding AOSSs with VDH, the local health departments should be notified quickly regarding raw sewage problems. Depending on the severity of the problem, the local health department will respond.
- **Mr. Ron Clements** asked whether there was any data regarding the frequency at which AOSSs fail.
  - **Mr. Knapp** replied that he had no data speaking to Mr. Clements' question. Mr. Knapp stated that there was a "famous" study from Loudoun (the "Loudoun Study") a couple years ago that used a slightly different rubric to evaluate reports from operators. Of the 1300 AOSSs evaluated in

that report, about one third experienced problems. The study categorized the problematic AOSSs as experiencing minor, moderate, or major problems. There were only 25-30 AOSSs that were reported as experiencing major problems (meaning they were outright failing). The rest of the AOSSs reported were experiencing minor or moderate problems that required minimal attention to fix. After the second round of inspections, the systems were in much better shape as the owners made the necessary repairs.

- **Del. Cosgrove** asked whether VDH knows where the AOSSs are being installed prior to their being installed, because property owners seeking to install AOSSs are required to get a permit prior to installation.
  - **Mr. Knapp** replied that Del. Cosgrove was correct about the property owners needing a permit prior to installation and that VDH knows where the AOSSs are installed as a result of this permit.
- **Del. Cosgrove** asked whether VDH keeps a record of the people applying for the permit and location of the AOSS.
  - **Mr. Knapp** replied that VDH is trying to compile a record with that information, but that it is challenging because DPOR issues the permits to the operators, but does not have an easily accessible record of the operators' contact information. As the AOSS operators register with VDH, VDH plans to take the operators' contact information and make it public on a website.
- **Mr. Dicks** asked what Mr. Knapp's observations are regarding the fact that the Loudoun Study showed that upon the second inspection, the AOSSs appeared to be operating fine. Mr. Dicks asked whether Mr. Knapp felt that annual inspections were necessary if this pattern appeared to be true throughout the state. Mr. Dicks also asked whether Mr. Knapp felt that the annual inspection would be necessary for AOSSs where the initial inspection indicates that the AOSS is fully functioning. Mr. Dicks added that Del. Hugo's bill seeks to ease the financial burden on the AOSS owners regarding annual inspections where the AOSS is functioning. Mr. Dicks asked whether Mr. Knapp thought that the annual inspection could be extended to an inspection once every two years.
  - **Mr. Knapp** replied that he is an advocate for database decision making. Accordingly, Mr. Knapp stated that in order to best respond to Mr. Dicks' questions, VDH must gain more data through the web-based program. Mr. Knapp continued by stating that currently the Board of Health determined that one year is the appropriate time frame for AOSS inspection. If the data shows that as a matter of public policy annual testing is unnecessary, Mr. Knapp stated that the legislation should respond accordingly.
- **Mr. Dicks** stated that he agrees that based on the data collected by VDH taking into account public policy and environmental concerns, that one year is necessary. Mr. Dicks asked whether it would be a good idea to give AOSS operators an extended certificate exempting them from the following year's inspection where an annual inspection indicates that there are no problems with the AOSS.
- **Mr. Clement** added that he thinks AOSSs should be subject to an initial detailed inspection, followed by a broader inspection.

- **Mr. McCormack** asked Mr. Knapp what constitutes a failing AOSS and how VDH determines an AOSS is failing.
  - **Mr. Knapp** replied that before AOSS were in use; a septic or sewer system failed where there was "sewage on top of the ground or backing up in the fixtures of the house." Before AOSSs, there was a prohibition on contaminating groundwater, but there were no numbers indicating contaminated levels so this prohibition was never enforced. With the current regulation, there are performance based regulations for the first time in Virginia. This current regulation requires a certain outcome and sets expectations regarding AOSSs. Under the current regulation, if an AOSS operator fails performance requirements, their AOSS fails the inspection. Where someone has failed, VDH plans to respond appropriately depending on the severity of the problem.
- **Del. Bulova** asked if there is a way to determine that an AOSS is failing by way of technology without requiring the actual inspection. Del. Bulova asked whether this type of technology could be developed to help AOSS operators avoid yearly inspections.
  - **Mr. Knapp** responded that Del. Bulova's idea is reflected in the regulations and that certain types of AOSSs (especially those installed in water) require remote monitoring. However, Mr. Knapp explained that there are limitations of this monitoring: there is only one AOSS device that equips systems for telemetry. Thus, Mr. Knapp stated that regulating remote monitoring would likely add cost for AOSS operators.
- **Sen. Watkins** stated that there are inspection systems for approval of occupancy building permits. Sen. Watkins continued, stating that AOSS operators would not start using the AOSS before determining whether the AOSS was functional. Sen. Watkins added that it seems likely that AOSSs would likely have some sort of warranty and that it would seem unfair to charge operators for an inspection during the life of the warranty.
  - **Mr. Knapp** stated that the regulation considers those factors. Mr. Knapp stated that most of the AOSSs must be tested by the National Sanitation Foundation before they are permitted for use. In 2008, the law changed so that AOSSs that have an engineer's seal may be used without testing by the National Sanitation Foundation.
- **Del. Hugo** thanked Mr. Knapp and VDH for their help and input on the AOSSs. Del. Hugo stated that Loudoun showed one third of their Oases to have problems, but that Fairfax is known to be one of the most aggressive and progressive counties. Del. Hugo stated that when people in Fairfax received the fliers regarding the cost of annual inspection, 150 people came together to complain about the cost. Del. Hugo stated that it's necessary to see how many of these AOSS really fail; otherwise, he feels that the annual inspections serve to bill people for a problem that might not really be a problem.
- **Sen. Watkins** stated that the workgroup is not prepared to make a final decision regarding Del. Hugo's proposed changes, but that he would like to have another meeting and receive information regarding the system reports and performance requirements.

- **Mr. Knapp** responded that VDH has some of that information county by county.
- **Mr. Mark Courtney, DPOR Deputy Director of Licensing and Registration** stated that licensing of AOSSs was transferred to DPOR a few years ago. Mr. Courtney stated that he worked with VDH in creating regulations that included different classes of operators. Mr. Courtney stated that according to recently collected data, there are 450 licensed AOSS operators statewide; however the data only includes the city and state for residential AOSS use and complete addresses for businesses using AOSSs
- **Mr. Toalson** asked a question regarding the difference between an engineer that can inspect AOSSs and other persons who are licensed to inspect AOSSs.
  - **Mr. Knapp** replied that in order for a person to be an AOSS inspector, they must have a specific license. Where engineers are permitted to inspect AOSSs, they have the same license as other persons licensed to inspect AOSSs.
- **Sen. Watkins** asked how many engineers have this license.
  - **Mr. Courtney** replied that there are approximately 450 people licensed to inspect AOSSs. Mr. Courtney continued by stating that of these 450, 415 are conventional operators.
- **Del. Bulova** asked whether the decisions regarding this regulation and bill will affect the Chesapeake Bay Restoration Fund ("CBRF").
  - **Angela Jenkins, Department of Environmental Quality ("DEQ") Policy Director** stated that she will ask people at DEQ to determine whether this will affect CBRF.
  - **Del. Cosgrove** added that the only way the regulation of AOSSs would impact CBRF is if there is a large amount of fluid escaping into the environment.
- **Sen. Watkins** added that when you start doing AOSS inspections in the rural parts of Virginia, these inspections will end up costing AOSS owners \$1000 or more because there are not many inspectors available there to perform the inspection. This issue will have to be taken into consideration as the issue is discussed further by the Housing Commission,

### III. **HB 1292; Statewide Fire Prevention Code (Spruill, 2012)**

- **Delegate Lionel Spruill**; explained a problem that several churches are facing in Chesapeake regarding fire inspections. Del. Spruill stated that churches whose kitchens pass the VDH inspection and have not made any changes or improvements to their kitchens have been inspected by the local fire departments under newer versions of the building codes and instructed that they need to make changes. When this issue was brought to Del. Spruill's attention, he contacted the fire department and stated that the churches have a right to appeal this decision and that such a right did not appear on the forms the churches were given. As a result, the forms were amended and now include information regarding the appeal process. However, Del. Spruill explained that many of these churches that received the forms prior to the addition of appeal information did not appeal and instead made the changes that were required according to the fire inspection or

did not make the changes and the time for appeal lapsed. Del. Spruill explained that as a result, these churches that received the failed fire inspection and did not appeal, are now required to adhere to the new fire code. Del. Spruill stated that he is seeking the workgroup's assistance in "grandfathering" in these churches so that they are not required to adhere to the regulations of the new fire code as a result of failing to appeal, due to the fact that the churches were unaware of their right to an appeal.

- **Del. Cosgrove** stated that there are a lot of little churches with small congregations in Virginia, and that the cost of renovating their kitchens could cause many of these churches to close.
- **Mr. Emory Rodgers**, *Deputy Director of Building and Fire Regulation for the Department of Housing and Community Development*, stated that the Uniform State Liability Code and Fire Prevention Code clearly state that the building must maintain the standards as they were set out in at the time the building was built, unless there were renovations or changes made to the premises. There is nothing in the law that requires churches to update their facilities so long as they adhere to the code that applies to their premises. Rather, properties must be maintained according to the regulations when the buildings were constructed, unless the building was changed in some way. When the fire inspector issues a notice of violation, the notice should include language indicating the violator's right to appeal.
  - **Mr. Charles E. Altizer**, *Virginia's Fire Marshal* added that there has never been a law that permitted fire officials to require changes in building to meet new standards where the building has passed inspection, unless other changes were made to the building.
- **Del. Cosgrove** responded that unfortunately, it appears that that is what is happening in Chesapeake. Del. Cosgrove continued by stating that the fire inspectors should be aware of the duties under the various codes. Del. Cosgrove asked whether there was a way to clarify the fire inspectors' roles.
  - **Mr. Altizer** responded that the instructors for the fire department training emphasize the Fire Prevention Code. Additionally, Mr. Altizer stated that when he receives a call regarding similar situations, he always informs the caller of their right to appeal the violation. Mr. Altizer also has informed local fire officials that they are not permitted to require updates in building that have not had any changes to them since they were first built, provided they adhere to the code from when the building was originally constructed. Mr. Altizer assured the workgroup that the information regarding the fire official's duties and limitations is out there and the fire officials should know about it, but that he is unsure what else can be done to ensure the fire officials abide by the code.
- **Del. Cosgrove** asked whether Mr. Altizer felt it would help if the workgroup added language to the code.
  - **Mr. Altizer** replied that he does not know how adding anything to the Code of Virginia would solve the problem, given the fact that the guidelines are clearly stated in the Fire Prevention Code.

- **Mr. Ron Clements** stated that the Fire Marshal's office does not spend time researching the statutes; rather, they look to the regulations. Mr. Clements stated that if the regulations are the same as the language added to the code, the restatement would be unnecessary. Mr. Clements stated that the real problem is leadership, and no alteration of the Code of Virginia can solve that problem.
- **Del. Spruill** stated that Mr. Altizer and the Fire Chief were on the phone with the fire inspectors who were responsible for some of the problems we have discussed here today. Del. Spruill stated that even after Mr. Altizer, the Fire Marshal, told the fire inspector of their error and explained the Fire Prevention Code, the fire inspector did not respond in the manner suggested by the leadership. Del. Spruill asked the workgroup what he should do to solve this problem for the churches in his area.
  - **Del. Cosgrove** clarified that the specific provision at issue is in the regulations, not the code.
  - **Sen. Watkins** further explained that the code is built around the regulations. Sen. Watkins stated that it sounds like the fire inspectors are being overzealous and going beyond their authority. Sen. Watkins continued, stating that he would consider adding Del. Spruill's proposal into the Code of Virginia, but it would affect very few people. Sen. Watkins suggested that perhaps it would be better to invite the fire officials from Del. Spruill's area to come to a workgroup meeting to discuss why the fire officials should not be requiring older buildings to comply with new regulations and help define their duties.
- **Mr. R. Schaefer Oglesby** stated that it would be a mistake to add these regulations to the Code of Virginia because people would expect it to be in the Building Code regulations. Mr. Oglesby stated that property managers have a hard time finding the smoke detector law because they look for it in the Building Code, but it is actually in the Code of Virginia.
- **Mr. Ed Rhodes**, *Virginia Fire Chiefs Association*, stated that he worked with the fire marshal and explained the regulations to the fire officials. Mr. Rhodes stated that despite their input, the fire officials did not agree with his explanation. Mr. Rhodes stated that a retired fire chief, who is also an attorney, tried to instigate the bills because his church was cited as a violator. Mr. Rhodes stated that if a fire inspector thinks there is an issue with a building, it is general practice to explain this to the building official and suggest that they further inspect the issue. Mr. Rhodes stated that the fire inspectors are not certified to require property owners to make changes to their building. Mr. Rhodes added that he agrees that the regulations should not be added to the Code of Virginia, but that the issue should be further discussed in the fire training classroom to ensure that it does not occur in the future.
- **Del. Spruill** asked what he should tell the churches to do about the situation.
  - **Sen. Watkins** responded that Del. Spruill should tell the churches to appeal. Sen. Watkins then asked Mr. Rodgers whether replacing a stove would constitute a renovation to the building.
  - **Mr. Rodgers** replied that in some instances, replacing a stove in a building would require a permit. However, in other instances the change

would be allowed by the Building Code without a permit. Mr. Rodgers offered to speak with Del. Spruill's constituents to educate them on their rights and limitations.

- **Mr. Altizer** reiterated that when a fire inspector inspects a building they are required to verify that the building conforms with the code it was built under provided there are no changes to the building.
  - **Mr. Clements** stated that if a church changed their stove to a new stove, the code applied to the building would not change; but if the church changed a four burner stove to a six burner stove, or propane stove to a gas stove, the code applied to the building would change.
  - **Sen. Watkins** added that there is a fine line between change that requires an inspection under a new code and a change that does not. Sen. Watkins stated that he is concerned about the ambiguity of the language of the bill.
- **Mr. Toalson** stated that the Fire Code will be updated this year. Mr. Toalson stated that he is disappointed that the fire inspectors did not follow protocol and expressed his opinion that it was a very basic thing for these people to confuse. Mr. Toalson also stated that he is disappointed that this could not have been handled at a more local level and that the churches' only recourse is through the appeal process.
- **Del. Spruill** will let the Workgroup know if he needs any additional help concerning this issue.

#### **IV. Public Comment and adjourn**

- **Mr. Mark Flynn** stated that in response to the former request from Senator Watkins, a group of people assembled, including Susan Williams and Zack Robbins of DHCD, Roger Wiley, Ted McCormick and Elizabeth Palen to assess a number of issues concerning the cash proffer system in Virginia.
- The group is researching how cash proffers are collected, how much of the money is being held by localities and municipalities, and why or if this money is being held instead of spent by the locality. Mr. Flynn stated that the reporting provision in the Code of Virginia for cash proffers does not require the locality or municipality to state how long the money has been, is, or is going to be held. Additionally, Mr. Flynn noted to Senator Watkins, that Chesterfield reports these statistics independently.
  - **Mr. Flynn** stated that he is interested in seeing what localities and municipalities that have a large receipt of cash proffers does with this money. Mr. Flynn suggested that a supplementary survey be sent to collect this information when they send out the mandatory survey so localities will be likely to respond.
- **Mr. Toalson** asked when collecting proffers started. Mr. Toalson continued, stating that Virginia has a "money in, money out" record for localities and municipalities since 2003. Mr. Toalson asked whether they could figure out the amount of money that the localities are holding and for how long it has been held

by going through these records. Mr. Toalson explained that the money is contributed with an expectation of the homeowners that specific things are going to be constructed. He continued, stating that the money should be spent in a timely matter for the purpose for which it was contributed.

- **Sen. Watkins** stated that there is an expectation of the people donating the money and the consumer of new homes that some of what they are paying is for the purpose of developing an infrastructure. Sen. Watkins continued, stating that when these people do not get what they were promised, there is a problem. Sen. Watkins acknowledged the economic troubles that developed throughout the past four to five years, stating that development is a critical step in re-stabilizing the economy. Sen. Watkins stated that an impediment to growth is the cost of a new home, especially when you have cash proffers that exceed \$10,000-\$15,000. Sen. Watkins explained that this large amount distorts the housing values because it is artificial inflation that ends up being discriminatory regarding affordability.
- **Mr. McCormack** stated that looking at the data since 2000, the most significant service proffers have been spent on transportation. Mr. McCormack explained that the shares have gone up while state shares have decreased. Mr. McCormack stated that it takes a long time to build the necessary proffers to build a facility.
  - **Mr. Toalson** responded by saying that for most local governments, cash proffers makes up less than 5 % of the total budget. Mr. Toalson asked why people are paying so much money for cash proffers per house, when it is such a small part of the budget for these projects. When you compare pricing in central Virginia from 2007 to 2011, the decline is shocking. According to Mr. Toalson, if people today have to pay cash proffers, no one can build new developments.
  - **Sen. Watkins** stated that cash proffers may undermine the revenue stream for local government, because people cannot afford to build. Sen. Watkins continued, stating that the workgroup needs to wait until November in order to get the surveys back from localities around the state in order to get the information asked for, in order to make informed decisions and to access if there is a need to make changes regarding the proffer system.
- **Senator John Watkins** asked if those in the audience had any other comments or concerns. Hearing none, the meeting was adjourned at 11:42 a.m.